

FISCAL NOTE

SB 246

February 21, 2003

SUMMARY OF BILL: Applies the Hall Income tax of 6% on lottery winnings over \$100,000.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - Exceeds \$500,000

Estimate assumes:

- The prize structure would be similar to that of Georgia.
- Gross sales in Tennessee for the first full year of operation of at least \$665,000,000.
- There would be a shift in some revenue from the state sales tax to the tax imposed by this bill because some of the prize money that will be paid in lottery taxes would have been spent on taxable items.
- The tax would be applied on gross winnings prior to any other mandatory deductions.
- The tax is applied on the value of winnings in the case of non-cash prizes.
- Lottery sales may be impacted by the tax.

Without knowing the types of games that will be offered and the prizes that will be offered for the various lottery games it is impossible to estimate a precise amount of revenue generated for the state through this type of tax. However, it can reasonably be estimated that the net impact will be an increase in state revenues exceeding \$500,000.

For informational purposes, this bill does not provide for withholding of taxes prior to the disbursement of lottery proceeds. As a result, collection of the tax may prove difficult.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director